

# **CAPRICORN DISTRICT MUNICIPALITY**



---

**ORIGINAL BUDGET 2012/13 MTREF**

# **2013 BUDGET MTREF**

## **TABLE OF CONTENTS**

Page

---

### **PART 1 - ANNUAL BUDGET**

1. MAYOR'S REPORT
2. EXECUTIVE SUMMARY
3. OVERVIEW: BUDGET PROCESS
4. COUNCIL RESOLUTION
5. QUALITY CERTIFICATE
6. ANNUAL BUDGET TABLES (A1 – A10)
7. PROJECT LIST
8. ANNUAL BUDGET CHARTS
9. POLICY REVIEW

### **PART 2 - SUPPORTING DOCUMENTATION**

10. SUPPORTING TABLES (SA1 – SA37)
11. BUDGET ASSUMPTIONS
12. OVERVIEW OF THE ALIGNMENT OF BUDGET WITH IDP
13. OVERVIEW OF BUDGET FUNDING

### **PART 3 –**

14. DRAFT INTEGRATED DEVELOPMENT PLAN
15. CDM SERVICE DELIVERY BUDGET AND IMPLEMENTATION PLAN
16. BUDGET RELATED POLICIES

# **PART 1**

**2012-13 Budget Speech by the Executive Mayor of Capricorn District Municipality, Councillor  
Lawrence Mapoulo**

18 May 2012, Capricorn District Council Chambers

Our Speaker, Honourable Mme Nakedi Lekganyane  
His and Her worships, Executive Mayor and Mayors of our local municipalities;  
Our district Chief Whip, Ntate Hlengane Baloyi  
Speakers and Chief Whips of our local municipalities  
Members of the Mayoral Committee  
Fellow Councillors;  
Maaparankwe, Our Honoured Traditional Leaders;  
Leaders and members of our glorious movement, the African National Congress  
Our Ward Committee members;  
Municipal Manager, Mr Ngoako Molokomme  
Municipal Managers from our local municipalities  
Senior Managers and other municipal officials  
Representatives of various government departments, municipalities, Parastatals;  
Organised Labour  
Members of the Business Community;  
Members of the academia;  
Faith-based organisations  
Representatives of Community Based Organisations;  
The media;  
Distinguished Guests;  
Comrades, friends and compatriots  
Members of the community in the public gallery and those who are listening to various radio stations;

Madam Speaker, allow me to take this opportunity to convey my sincere, warm and heartfelt greetings to everyone present here today, including all residents of Capricorn District listening to these proceedings out there.

**Thobela**

We are meeting here today as the third democratically elected Council of Capricorn District to adopt the Integrated Development Plan, budget and related policies. This important Council sitting takes place at a time when our country, continent and the rest of humanity across the globe is celebrating 100 years of the existence of Africa's oldest liberation movement, the African National Congress. This is an organisation formed on the solid foundation guided by a vision of a united, democratic, non-racial, non-sexist, prosperous and peaceful South Africa.

As we salute the founders, leaders and volunteers who helped build this glorious movement allow me to pay tribute to one of the founding fathers and the second President of the ANC, Ntate Sefako Mapogo Makgatho, who hails from our district at Lepelle-Nkumpi, gaMphahlele. I am happy that the ANC sub region in that area has already been renamed after this hero; I therefore call on Lepelle-Nkumpi Municipality to initiate consultation processes that will eventually result into renaming of the municipality after this visionary leader of our people.

Madam Speaker, allow me as part of the centenary celebrations to also take this opportunity to salute the founding mother of the African National Congress Women's League, Mme Charlotte Makgomo Maxeke (Nee Mannya), who was born and lived in Molemole Municipality, Botlokwa gaRamokgopa. Her contribution towards the struggle against exploitation and abuse of women and children is remarkable and must be appreciated by all in our district, province and country as a whole.

Madam speaker,

Our celebration of the centenary of our liberation movement cannot be complete without acknowledging the important role played by the traditional leaders in our district, *who took arms as warriors* to fight against the system of colonialism and oppression, amongst them the likes of Kgosi Maleboho and Kgosi Makgoba, As well as various religious communities in the fight for our freedom and democracy who created opportunities for access to education.

Without reading out the long list of heroes and heroines Madam Speaker and fellow Councillors, I believe it is befitting that our district be called *the home of selfless heroes and heroines. It is the home of our living and fallen struggle icons* such as Ike Maphoto, Archie Whitehead, TT Cholo, Lydia Komape, Festus Mothudi, Ntate Matsimela; and Peter Mokaba, Frans Mohlala, Andrew Mehlahe, Thembi Skhosana, Machocho Hlatswayo and many fallen and living freedom fighters. As a district we owe our very existence to these men and women who selflessly contributed towards our political freedom.

In this regard, let me remind honourable members of the important prescript of the Reconstruction and Development Programme (RDP) that says "No political freedom can survive and if the mass of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of a democratic government"

As a result, we shall continue with our struggle for economic freedom and emancipation in order to achieve the objects of the RDP.

Since its formation, the African National Congress has always fought for the protection of human rights and rejected all forms of discrimination. It stood opposed to dehumanisation, degradation and exploitation. The Centenary celebrations must inspire us to continue with the restoration of unity and discipline in all areas and structures of our local governance.

The legacy of our past is not only that of difficulty and despair, but the towering leader on our movement, Walter Sisulu, wrote from his prison cell on Robben Island, I quote *"In a certain sense, the story of our struggle is a story of problems arising and problems being overcome. It is understandable that many of the problems should generate much controversy and emotions. However cool and detached we may strive to be in our analysis, the fact remains that we are deeply involved and interested parties and the solution we adopt are solutions we ourselves have to implement"* Close quote.

We can draw pride from the celebration of ANC's centenary, and build on this past to get things done today. The idea of unity in action, working together to realise practical goals, must be revived. *"Bokhutsetsa bo ya lakana"* The idea of an active citizenry, drawn into motion by dedicated activist and inspired by compelling vision of the future has to be renewed.

We must wake up every morning encouraged by the fact that we are the descent of great heroes and heroines of our struggle who fought bitterly for us never to be intimidated in the quest to reach our shared goals.

Madam Speaker, allow me to also reflect on the 2008 State of the Nation Address presented by the former president Thabo Mbeki when he referred to the well-known words with which Charles Dickens opened his novel *A Tale of Two Cities*, and so I quote these words:

*"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way - in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only."*

You will ask whether I agree with this assessment, whether I too believe that we have entered an era of confusion, in which all of us cannot but lose our way, unsure of our steps, unsteady on our feet, fearful of the future!

My answer to this question is a definite No! Like the rest of our Government I am convinced that the fundamentals that have informed our country's forward march in the last 17 years remain in place. They continue to provide us with the strong base from which we must proceed as we keep our eyes firmly focused on the continued pursuit of the goal of a better life for all our people. We all reaffirm that we remain on course as we continue to strive to make ours a winning nation.

However, like all the Honourable Councillors, Traditional Leaders, NGO, Media, I am aware of the fact that many in our society are troubled by a deep sense of unease about where the country, our Province, our District will be tomorrow.

They are concerned about delay in service delivery and some developments in our economy, especially the steady increase of food and fuel prices which further impoverish especially the poor. They are worried about whether we have the capacity to defend the democratic rights and the democratic Constitution which were born of enormous sacrifices. As the ruling party, our noble goal is to provide hope for those impoverished.

Madame Speaker and honourable members

John Maxwell in his book called *"how successful people think"* make an introductory quote from David Schwartz. I quote: *"where success is concerned, people are not measured in inches or pounds, or college degrees, or family backgrounds; they are measured by the size of their thinking"* close quotes

As a district we must define our Big Picture and determine our vision of what we want to be in 2030, the vision will rally our thinking so that we remain focused.

Honourable Speaker,

The district remains mindful of the fact that education is a very complex matter that requires a broad set of responses. And there is no doubt that we are all aware that education is a necessary and most powerful ingredient for development. We are also pleased to announce that we have been able to improve our Grade 12 matric results in our District this year. In this regard I take this opportunity to congratulate Hoerskool Pietersburg and Dendron Secondary School for being the best performing schools in Limpopo.

Infrastructure expansion has been identified as one of the key pillars that must be used to improve the living conditions of our communities, whilst at the same time, creating job opportunities for our people. The President in his state of the nation address has emphasised this, also in the state of the province address by Premier Mathale. The Province has established the Executive Council Infrastructure Coordinating Committee to monitor and evaluate the implementation of infrastructure plans in the province and CDM is participating in that committee.

Ladies and gentlemen, let me remind you that in municipalities there is an Integrated Development Planning which is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development. This process gives an overall framework for development through co-ordination of the work of local and other spheres of government in a coherent manner to improve the quality of life for all the people living in an area. This coordinated planning must be supported by sufficient resources available for development.

We are required by local government legislation to involve communities in matters of governance and planning for development; and with emphasis on their inputs.

As we are all aware, the tabling of this budget also brings us nearer to the end of our first financial year of the current term of office. With that in mind, Madame Speaker, we are pleased that the current Council hit the ground running as they received a baton of change and continuity from the previous leadership. We should continue with the same spirit to remain gallant in our effort to dislodge the stranglehold of poverty and free more of our people out of pangs of hunger and plague of diseases.

Madame Speaker, the work we are expected to do, among others is informed by Millennium Development Goals to ensure:

- access to clean and potable water by 2014
- adequate sanitation by 2014
- access to electricity by end of 2012
- 6% growth rate of the district economy
- poverty reduction by 2014

#### **Budget statement 2012/13 MTREF**

Madame Speaker, as required by Municipal Finance Management Act and other Treasury regulations, we are tabling a total budget of R827 millions for the financial year 2012/13. This will comprise of R276,4 millions for capital expenditure and R550, 6 millions for operating expenditure.

The 2012/13 operating revenue budget was decreased by 5% from R478 millions to R 456 millions. The capital income budget stands at R276,4 millions.

We believe this budget will address the service delivery mandate for the new financial in line with the 6 Key Performance Areas (KPA's) of local government including:

- Institutional Transformation and Organisational Development
- Basic Services and Infrastructure Delivery
- Local Economic Development (LED)
- Good Governance and Public Participation
- Municipal Financial Management and Viability
- Spatial Analysis and Rationale

All which we will now report in greater detail:

### **INSTITUTIONAL TRANSFORMATION**

Madame Speaker, to be able to deliver on our mandate as the entire Capricorn District municipality, we should rebuild strong, versatile and dynamic institution - capable of inventing and re-inventing themselves to meet the demand of service delivery conditions prevailing on the ground and to ensure that CDM has an organisational structure that allows it to deliver effectively and efficiently against its mandate.

Madame Speaker, institutionally, specifically with regard to the District municipality itself, we saw a compelling need to reconfigure:

- the organisational structure which, in the main sought to redress the past inconsistencies
- also allow the absorption of staff that were transferred from Department of Water Affairs (DWA) and Environmental Health as part of the devolution of the water and municipal health services functions.

We are aligning organisational structure to the IDP and the long term strategy to streamline functions. We are focusing on getting rid of non-critical functions for us to centre attention on the core mandates of the District.

Madame Speaker, this we do to ensure that our district municipality is equipped with qualified, competent, skilful and dedicated personnel at the technical and strategic level of the administration. We have also made significant strides to ensure gender representation at management level is fairly balanced but more still need to be done for the District municipality including local municipalities to attain our employment equity targets.

In the current financial year, we tailored capacity building programmes in order to invest the in the development of our staff:

- We sponsored about 150 employees who are currently receiving academic and vocational training in various fields and about 40 bursaries have been awarded to staff.
- Catered for 59 councillors through enrolment in various courses, workshops and training sessions diligently and without any major hurdles.

This we do to strengthen the capacity of councillors as leaders and officials to improve their skills to execute their duties. To this end, we have set aside R2.1 millions to enhance the capacity of employees and councillors in various courses and to partner with accredited institutions to build strong capacity.

### **BASIC SERVICES AND INFRASTRUCTURE DELIVERY**



Madame Speaker, the Capricorn District Municipality agrees with the Premier of Limpopo that "infrastructure expansion has been identified as one of the key pillars that must be used to improve the living conditions of our communities, whilst at the same time, creating job opportunities for our people".

Madame Speaker, we therefore remain responsive to the need to invest in the public infrastructure for a better life for all. This we do as part of the advances to attain objects of Millennium Development targets, national and provincial mandates as well as the Local Government Strategic Agenda, resolutions of the 2012 District Lekgotla and other policy frameworks.

This explains why much of our budget projected for the MTREF period will mainly be used for key infrastructure projects and dealing at length with some of the bottlenecks impacting on accelerated service delivery.

### **Water**

Madame Speaker, the delivery of water remains the primary and key mandate of the Capricorn District Municipality as Water Services Authority. We are therefore guided by a common goal of making water a catalyst for fighting poverty and a critical bulk infrastructure to stimulate economic activities

Which is why in the previous year, we expanded access to portable water to 87% of households within the District. However, this did not happen without challenges. The consequences of theft water engines, illegal connections and poor workmanship pose a negative impact on the water supply.

Our water supply challenges are compounded by the fact that our district is water scarce and that over 80% of our district population depends on ground water source. The influx into the cities; towns and the growing patterns of our communities over the years have weakened our reticulation network, resulting in compromised capacity of the bulk infrastructure. The challenge of ageing and inadequate bulk water infrastructure is as a result of the apartheid spatial planning which excluded the majority of our people.

However, we move forward with a belief that these challenges requires the following interventions:

- Effective forward integrated planning and systematic IGR capacity to deal with water scarcity
- We are replacing all engine-powered pump engines to electrical pump engines
- We have reported cases of theft of water pump engines and illegal connections to the police
- We are mobilising communities to work with us and report any case of theft and vandalism of water engines as such crimes deprive our villages of water supply.
- We will also investigate the electronic security technology to minimise theft and introduce the telemetric system.
- We have registered potential bulk water programmes with national Treasury Private Public Partnership Unit for Botlokwa (Nandoni), Glen Alpine and Flag Boshielo Water Schemes.
- We are already conducting a full scale functional assessment of water service infrastructure and a report to provide comprehensive infrastructure maintenance plan and financial requirements, this will help us with planning for refurbishment, replacement and recapitalisation of our water schemes infrastructure.
- We are also in a process of establishing a project Management Unit (PMU), which in the main will strengthen the capacity of the project management by enhancing quality assurance and their implementation.

- We have also called for the review of the National Water Act to reconsider water rights and allocation, and this matter has been elevated to the ruling party through its performance and monitoring unit of the ruling party in order to address water disparity.
- The budget of water operations and maintenance has been increased from R43, 8m to R57, 7m.

### **Water quality**

With regard to water quality, the establishment of accredited water testing laboratory will be one of the success stories for the district municipality. This comes after we made a milestone when we explored a partnership approach to involve other institutions. And we are therefore pleased that the University of Limpopo has come on board to partner with us for the construction of a water testing laboratory within the Turfloop campus. We are happy to report that construction is well underway. In the meantime, we continue to conduct water quality tests to ensure that we supply water that is drinkable.

For the 2012/13 financial year, R193m, which is the 70% of the capital budget, has been set aside for water infrastructure development throughout the District.

It is our belief therefore that, this budget will enable us to substantially reduce the existing 13% backlog in water and move decisively closer to meeting Millennium Development Goals for universal access to water services. And this will affirm our commitment to public infrastructure investment which the Premier of Limpopo pronounced in the State of the Province Address.

### **Sanitation and waste water treatment works**

Although the pace of sanitation delivery has been inadequate in the past, we so far managed to increase access to decent sanitation facilities to 51% of the district population. We also handed-over two honey suckers to Aganang and Blouberg local municipalities to ensure safe waste water disposal and prevent human contact with the wastes.

Madame Speaker, the remaining backlog, as well as unlined pit latrines thus constitutes a major risk in terms of ground water pollution, environmental and health problems. And this can be attributed to the challenge of shoddy work by contractors, abandoned projects and facilities that are not user-friendly.

However, the district municipality has resolved to intervene to:

- Take civil action to recover money from dishonest contractors.
- Refurbish and upgrade the Mogwadi and Lebowakgomo waste water treatment works, and,
- Upgrade these unlined pit latrines to comply with minimum ground water protocol.
- Explore partnership with Council for Scientific and Industrial Research (CSIR) and memorandum of understanding will be signed thereof.
- Formalise partnership with Lonmin Mine, which operates in Lepelle-Nkumpi, the mine has agreed to buy treated waste for their mining activities. The agreement is on the process of being finalised.

For the 2012/13 financial year, an amount of R11.3m has been allocated for Waste water treatment, and household sanitation at R17, 6 m. This allocation will be used for rural household sanitation in Aganang, Blouberg, Lepelle-Nkumpi and Molemole.

## **Energy**

Madame Speaker, although electricity comes as an unfunded mandate, we have managed to increase household connection to 88% of our population. We have established energy forum to address unenergised electricity infrastructure and enhance coordinated planning. We are engaging Department of Energy through SALGA to grant energy licence to local municipalities and also to prioritize the implementation of alternative energy.

For the medium term period, we shall spend an allocation of R30, 6m to electrify more households. We will ensure that electric projects are registered with the Department of energy before implementation.

## **District Roads and Transport**

Madame Speaker, as a mainly rural District municipality, investing in quality road infrastructure is key to unlocking the economic potential of the District. Though roads and transport function also come as an unfunded mandate, the municipality has spent R25,7 m in the past financial year to tar district roads and increase their lifespan and this has however, proved to be a very expensive.

In the district we looking at a backlog of about 1968 km's of untarred reads. The provincial EXCO has resolved that a service level agreement be signed between the district and department of Roads and Transport for roads maintenance.

The district is therefore putting aside R15 million to complete the following outstanding district roads:

- Pinkie Sebotse-to-Rosenkrantz in Aganang,
- GaMolele-to-GaMarke in Blouberg,

The Malatane Bridge, in Lepelle-Nkumpi is almost complete. Other road projects for the next financial year include EPWP project for Chloe-to-Kordon road and to do other routine road maintenances. These roads should be able to reduce the District's adverse condition for inward investment by amongst other things, reducing our relatively high transportation costs as well as skill and technology constraints.

Madame Speaker, in response to the Apex priority set out in the 2012 State of the Nation Address and the Budget Speech that we must do better in planning and managing our capital projects, the Capricorn District Municipality is currently conducting a study on the condition of rural roads and transport accessibility with the district to ensure that the municipality plans accordingly and will enable us to solicit for adequate funding. This will be in addition to the implementation of a multi-year planning approach.

## **SOCIAL TRANSFORMATION**

### **Sports, Arts and Culture**

Madame Speaker, we all know sports, arts and culture form an integral part of the basket of social cohesion and upliftment programmes that should be prioritised for implementation. To this end, we are engaged in partnership negotiations with various sporting councils to promote participation and competitiveness of our District in various sporting codes.

We have completed the upgrading of District Satellite Sport Academy in Ga-Mothapo and the launch of this multi-purpose facility is one of our huge milestones in the transformation of sport in Capricorn.

At the level of arts and culture, there's a need to have more facilities such as theatres for artists to showcase their talents. We are also working on strategies to revive existing showground facilities for purposes of arts, culture. As the Capricorn District municipality, we place a high premium on arts and culture and good environmental management, as these are central elements in tourism promotion.

Madame Speaker, processes are underway to establish a forum that will comprise of the depart of Sport, Arts and Culture, CDM and local municipalities to coordinate planning and the rational use of resources. Memorandum of Agreement will soon be signed to formalise the establishment of this Forum.

For this financial year, we are putting aside R500, 000 to continue with the promotion of sports, arts and culture.

### **Environmental Management**

Madame speaker, the resolution of the recent COP17 Climate Change Conference has called on all of us as custodians of environment, to reaffirm our commitment to protect and preserve it. This obliges us all to take responsibility to contribute to the reduction of carbon footprints and resultant climate change, a phenomenon which comes with extreme weather patterns that threaten our being as humans.

For this reason, we remain on course in establishing proper land fill sites; developing Environmental Management Plan; purchasing waste management equipment for our local municipalities. These we do to manage the conservation and protection of environment for compliance to environmental health and its legislation.

With regard to landfill sites, we have adopted a multi-year development phased approach due budget constraints, Lebowakgomo landfill sites is almost complete and plans are advanced stage to implement community based waste collection approach to arrest unsafe waste collection. We shall also move with speed to complete Blouberg Land fill site that was previously abandoned.

To this end, we have set aside R17,4m for environmental management for the next financial year.

### **Disaster Management**

With regard to disaster management, we added more capacity and equipment to Fire Emergency and Disaster Management Centres in Blouberg, Molemole, Lepelle Nkumpi and Polokwane. This includes the multi-purpose fire-fighting equipment that we recently purchased for Lepelle-Nkumpi fire station. For this financial year, we have an allocation of R500, 000 for disaster management! At IGR forum we are exploring ways to centralize operations of our disaster and emergency resources to better serve our communities without being constrained by local municipalities' boundaries e.g. resources within Polokwane be able to serve the communities of Aganang

## **Special Focus**

Coming to Special Focus, we had seen impressive improvement in our implementation of Special Focus programmes. Some of our programmes include special parliaments for sectoral groupings where women and youth engage in debates that are focused in influencing our social transformation programmes.

Madame Speaker, we have also partnered with local municipalities, NGO's and other organs of state to mainstream and advocate for high impact social transformation programmes especially for children and youth. We have managed to organise empowerment camps for youth and children. And we are pleased that our excellence in struggle for gender equality and dispel all gender stereotypes was recently recognised by Gender Link when our district won the Gender Mainstreaming Centre of Excellence Awards.

Going forward, we are allocating R1m for Special Focus to continue with programmes aimed at addressing empowerment of special groupings and creating an institutional framework that will facilitate the effective implementation of our social responsibility programmes.

## **HIV/Aids**

With regard to HIV and Aids, we are pleased to report that the District Aids Council is functional and we have most recently appointed technical committee for the our District Aids Council. In relation to care and support, we have partnered with various NGO's/CBOs in providing support through Home based-Caregivers. For this financial year, we are allocating R601, 000 to fight HIV and Aids and further reduce infection rate.

## **SPATIAL ANALYSIS AND RATIONALE**

Madame Speaker, poverty and social inequalities in our midst have their roots in our existing spatial patterns and our relative ability to redress those for the better. Even today, the effects of this practice can be seen and felt with many of our communities strapped in outlying areas, characterised by high levels of poverty - thus making it difficult and complex for us to plan for land usage, growth and facilitate economic development and sustainable human settlement.

However, the District have embarked and approved some of the plans to guide developmental planning:

- The Spatial Development Framework (SDF) has been approved
- The Geographic Information System is in place.
- The district has resolved to embark on 2030 Development Strategy- which aims to develop a Big Picture of where we want to be in 2030. This Strategy is very necessary if we are to reshape our local economy; geography and ultimately transform the district into a hub with services on par with capitals of developed world.
- Going forward, we are allocating R500 000 towards implementation of the SDF, upgrading of our Geographic Information System. This will position us to be a planning theatre that will make us a spatially efficient district for development to flourish.

## **Local Economic Development**

Madam Speaker, we have in the previous year focused largely on investment promotion for all the sectors, infrastructure development, technical support services to SMME's and cooperatives as well as skills development. This we did to create a conducive environment for further economic growth and development.

We are pleased that we managed to complete the socio-economic impact study and the report will be released soon to give us a perspective of the secure living standards.

Allow me to also state that we have got limited pool of skilled labour, currently only 7% of population within the district municipality has tertiary education – a phenomenon which increased unemployment rate. To this end we have taken a quantum leap to focus of the following interventions:

- Facilitate access to higher education and address skills shortages by awarding bursaries to 40 students who want to pursue careers in engineering at FET colleges.
- Draw from our database for unemployed graduates to re-skill graduates who want to be moulded as entrepreneurs so that they too can become a generation of job creators instead of job hunters.
- Designed an internship programme and placed them across our administrative spectrum.
- We have assigned within our administration a *project manager to benchmark the best way to implement Local economic development projects, the exercise is envisaged to be completed in December 2012.*

Looking forward, in the coming financial year, an allocation of R580, 000 has been made to implement for Local Economic Development programme. Part of this allocation will be used for investment promotion, skills development, tourism promotion and support, SMME development and support.

#### **MUNICIPAL FINANCE VIABILITY**

As a District together with our local municipalities, we received poor audit opinions. Our challenges remain in areas of delay in compiling credible financial statements; inefficiencies in managing water transactions; our inability to implement cost recovery in respect of the water in local municipalities.

#### **Financial Management and Audit**

The Capricorn District Municipality had a recurrence of disclaimer audit opinions dating back to financial year 2005/6, I am pleased to announce that we have improved to qualified opinion and we are aiming to unqualified opinion. Major challenges causing poor audit outcome in our district are thus:

- Majority of finding are water services related and as such the District is affected through the Water Service Authority /Water Service Provider agreement.
- Unauthorized , Irregular and Wasteful expenditure
- Material Misstatements in financial statements
- Poor project management of consultants
- Poor quality and Late submissions of Annual Financial Statements
- Poor internal control
- Deviations which do not comply with MFMA
- Poor management of portfolio of evidence e.g. audit file to be prepared and placed in one AG room

- IT issues for example IT governance, security management, user access
- Poor asset management
- Leadership buy-in both political and administratively

We have put measures in place to work towards achieving unqualified audit opinion, ultimately clean audit. Since our local municipalities are experiencing high exodus of CFO's due their rurality in nature, we have contracted the service provider to assist the Local municipalities on the financial management which will include amongst others the following:

- guide and assist the Office of the CFO in reviewing the financial control systems and business processes relating to water transaction
- Assist the locals to generate report on their income and expenditure relating to water transactions
- Review the billing system
- Assessment of IT System to determine its influence in reporting and make corrective measures to address them
- Assist locals in the compilation of Annual Financial statements and the support file.
- Assist the Internal Audit units in areas where they lack capacity

Madam speaker, we have strengthened the financial oversight by establishing Municipal Public Accounts Committee under the leadership of Councillor Tswai, the good work of the committee has already been adopted by the council. Furthermore the Audit Committee has been appointed led by qualified chartered accountant. In line with National treasury good practice to deal with fraud and corruption as announced by Minister of Finance, we have subjected all our supply chain staff to vetting by National Intelligence Agency and all senior managers, managers and other staff who deals with critical information.

Madame Speaker, in order to enhance our revenue and build a viable district municipality with the ability to improve and sustain delivery, we have to take bold steps to enforce viable cost recovery mechanisms from various identified revenue streams. To achieve this, we wish to remind our people to ensure that they pay municipal services where it is due to do so.

For the 2012/13 financial year, we are allocating R4m to improve our financial management systems to ensure total compliance to policies and procedure and ensure that that this financial year be a year of clean audit! We will furthermore give support to local municipalities in terms of financial management. We are also going to ensure the implementation and enforcement of by-laws, debt collection policy and credit control policy.

## **GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

*(Mphiri o tee ga olle)*

Madame Speaker, as CDM, we have taken to heart the requirement to build a stronger municipality whose foundations should be dynamic ward committees that are capable of effectively tackling community issues. In this regard, we shall continue to lead the District as a shared space of governance with the communities and municipalities that make us up, and all policies and actions aimed at influencing development of places continue to be coordinated in this fashion.

We further remain committed to good governance and IGR principles in a way that is more than a superficial focus on mentioning principles and priorities without real contextualisation. We have done our all to strengthen all existing IGR forums to better fulfil alignment responsibilities that they are expected to fulfil.

Accordingly, we pride ourselves on the fact that our IGR forums such as Mayors and Speakers forums are functional. We therefore appreciate cooperation of all our mayors and speakers. We thank them for taking their time off to represent the interests and aspirations of their communities here at district level. Indeed, in the true spirit of cooperative governance, together we can do more (*Tau tša hloka seboka di šia ke nare e hlotša*).

We are also pleased that our ward committees and other community participation structures have requisite capacity to drive planning and promote mutual accountability between the community and municipal officials.

For the year ahead, we are making an allocation of R950, 000 for governance public participation.

### **Congratulations**

Madame Speaker and honourable members, allow me to take this opportunity to congratulate the following individuals who are the sons and daughters of our District for various achievements:

- Minister for International Relations and Co-operation Mme Maite Nkoana-Mashabane for successfully leading South Africa's hosting of COP17 Conference.
- Mr Soviet Lekganyane for being elected provincial secretary of the ANC in Limpopo
- Mr Clifford Motsepe for being appointed MEC for the Department of Cooperative Governance, Human Settlements and Traditional Affairs.
- Mr Mokgehele from Toronto Primary in Mankweng for receiving a National Lifetime Achievement Award in Education.

As I conclude, let me borrow from one of the introductory message in our National Development Plan: Vision 2030 that:

*"South Africa, our country is our land. Our land is our home. We sweep and keep clean our yard. We travel through it. We enjoy its varied climate, terrain and vegetation. It is diverse as we are. We live and work in it, on it with care, preserving it for future generations. We discover it all the time. As it gives life to us, we honour the life in it. From time to time it reminds us of its enormous, infinite power when rain and floods overwhelm, winds buffet, seas rage, and the sun beats unrelentingly in drought. In humility, we learn of our limitations".*

Let me therefore take this opportunity to once again thank you, individually and collectively, for doing your bit to make Capricorn, the a home of excellence and opportunities for a better life.

Madame Speaker, I therefore take this opportunity to present this; the 2012/13 Budget/IDP - together with the following policies: credit control policy and dept collection policy; Bad debt and write off policy; tariff policy and structure policy; funding and Reserve policy - for adoption.

**I thank you**



## **2.EXECUTIVE SUMMARY**

### **2.1 INTRODUCTION**

The 2012/13 medium term budget was developed within the municipality budget framework, municipal budget and reporting frameworks and treasury guidelines.

The district funding model is based on grants and subsidies provided for by the national government. The grants are utilised to fund both operating and capital expenditure.

A total of **R 732, 5 million** for 2012/13 revenue budget is proposed comprising of **R 456 m** for operating revenue budget and **R 276,4m** for capital budget.

A total **R 827m** comprising of operating expenditure budget of **R 550, 6m** and capital budget of **R 276.4 m** is tabled.

The budget was prepared in line with the National, provincial and district priorities to ensure that services are planned according to planning guidelines.

### **2.2. DEMOGRAPHICS**

The municipality has five local municipalities namely Polokwane, Aganang, Blouberg, Molemole and Lepelle-Nkumpi. The district is largely made up of rural areas with a lot of infrastructural backlog.

Total population of the district is estimated at 1 243 167 with household of 285 565 with fifty five percent (55%) of economic population unemployed and 11% who did not attend school.

### **2.3. PAST PERFORMANCE**

Capricorn District Municipality has significantly reduced its backlog on basic services provision. We have reduced our infrastructure backlog to 12.2% for water, 48.3% for sanitation (RDP level), 11.1% for electricity and 79.8% for roads.

The municipality has spent a total of R 428m on infrastructure projects from 2008/09 to 2010/11 financial year. We had further budgeted R 310m on infrastructure projects such as water, electricity, roads, sanitations and waste management for the 2011/12 financial year. Our level of spending on infrastructure is confirmed through the majority of households in the district having access to water and electricity.

Although access to infrastructure have improved the following challenges still remains:

- Quality of drinking water

- Source of supply (mainly underground)
- Access to sanitation
- Unavailability of data on district roads- their conditions, access to road network to impact on investment, education and social conditions
- Refuse removal and solid waste management remains a challenge without municipal landfill sites

### **2.3.1 WATER AND SANITATION**

We are currently water service authority in four municipality's areas except Polokwane. The water business is currently not sustainable as it is funded from grants only while collection is very low. The municipality has in the previous year's focusing on putting up systems in place in order to increase revenue from water.

A total of R 13.8m was unaccounted for as a result of water losses, unmetered consumption and unaccounted free basic water in the 2010/11 financial year. We have started in the 2011/12 financial year to refurbish old pipes and meters in Lebowakgomo. The projects will continue with the projects over a multi-year period.

Under spending on MIG grants has been a challenge in the 2010/11 financial year, with total spending on water provision of R 88m from R 144m reported in the 2009/10 financial year. Introduction of multi-year budgeting has commenced in the 2011/12 projects which has resulted in consultants been appointed for designs and planning of r 2012/13 projects.

### **2.3.2 ROADS AND TRANSPORT**

The municipality has spent R 124m in the three past financial years to tar district roads. We are currently conducting a study on the condition of rural roads and transport accessibility with the district. The study will ensure that the municipality plans accordingly and will enable us to solicit for adequate funding.

Roads and Transport function is an unfunded mandate hence little budget has been put aside; funded from equitable shares.

## **2.4. FINANCIAL PERFORMANCE (2010/11AND 2011/12)**

The municipality in the previous financial year have regressed in terms of budget spending; hence multi-year budgeting is being implemented

The municipality does not have cash reserves in its holding. Investments including cash and bank of R98.8m held at year end were for the unspent grants of R75m and committed projects.

The district has improved its audit opinion in the 2010/11 financial year from disclaimer to qualified opinion. The biggest challenge in attaining good audit opinion is with regard to accounting for water transaction as stipulated in the Water service authority and provider agreement entered to by the district and four local municipalities.

## **BUDGET PERFORMANCE**

Our budget was funded through grants in total of R788m for 2011/12 financial year and the total expenditure amounting to R872m. We budgeted for deficit as a result of increased depreciation charge realised from implementation of Grap 17 accounting standard.

66% of conditional grants were spent in the 2010/11 financial year. Under spending on conditional grants is attributable to lack of future planning and effective project management. Implementation of multi-year planning has commenced in the current financial year to eliminate non-spending challenges.

The budget is funded from grants and subsidies. Water debtors have increased due to low collection rate, which has resulted in increased debt impairment.

Funding assessment was conducted and the negative balance realised was because of commission payable accrued to the water service providers (WSP). The accrual is assessed annually and is offset against the bad debt provision and writes off. Servicing of long outstanding debts has slightly improved; therefore the municipality budget is adequately financed.

### **2.5 BUDGET SUMMARY 2012/13 MTREF**

#### **2.5.1. Operating Budget**

The operating revenue budget decreased by 5% from R 478m to R456m in the 2011/12 and 2012/13 financial years respectively. The budget decrease is as a result from water sales revenue. The municipality has realised a lot of challenges with regard to the loss of revenue from water losses and boreholes that run dry.

The municipality is currently the water services authority with four local municipalities operating the water business as water services provider. We have budgeted in the current year for revenue raising strategies, development and enforcement of bylaws and improving our billing systems. The projects are aimed at increasing the revenue of the district.

The municipality has started with project of securing the bulk water for three water schemes in the district. We have also commenced with replacements of pipes and meters in old towns like Lebowakgomo. We have also assessed our tariffs to ensure that we are recovering the costs of delivering the service efficiently.

### **2.5.2. Capital Budget**

Our capital budget spending is projected at around R 825.6m over the next three years. The 2012/13 financial year capital budget was mainly funded by grants.

### **2.5.3. Funding Model**

- The budget has been funded through conditional and unconditional grants.
- Equitable shares has been appropriated to both operating and capital budget,
- Capital replacement reserve fund policy is tabled in 2011/12 financial year with an intention of putting funds aside for refurbishing of ageing water infrastructure and proving new infrastructure in the future. The fund will ensure that future liability costs are adequately covered
- Future VAT reclaimed from conditional grants will be directed towards capital replacement reserve fund from the beginning of 2012/13 financial year.

### **2.5.4. Budget Analysis**

Personnel cost amounts to 40.5% of the operating revenue. The municipality is planning to reduce the percentage to 36% after the implementation of organisational restructuring projects currently underway and through increasing revenue base of the municipality. The municipality is targeting the 2015 medium term period for the reduction of the percentage.

Bulk water purchases totalled 11% of the operating budget and 6.3% was budgeted for repairs and maintenance on infrastructure assets, property plants and equipments.